

FRANCES BAARD

DISTRICT MUNICIPALITY



[These financial statements have not been audited]

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2020

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the annual financial statements presented to the council:

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FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2020

General information

Country of origin and legal form	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)	
Jurisdiction	The Frances Baard Municipality includes the following areas: Sol Plaatjie Phokwane Dikgatlong Magareng	
Nature of business	Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)	
Capacity of district authority	Medium capacity	
Municipal demarcation code	DC9	
Management structure	The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.	
Municipal manager	Ms ZM Bogatsu	
Chief financial officer	Ms O Moseki (Acting)	
Other heads of departments	Director: Administration Director: Planning & Development Director: Infrastructure Services	Ms KG Gaborone Mr F Netshivhoza (Acting) Mr S Suliman (Acting)
Registered office	51 Drakensberg Avenue Carters Glen Kimberley	
Legal representative	Mr K Matlakala	
External auditors	Auditor-General of South Africa Private Bag X5013 Kimberley	
Internal auditors	The Internal Audit section was fully staffed and operational during the financial year. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.	
Members of the audit committee	Mr T Mogoli Mr T Mudamburi Mr G Botha	Chairperson Member Member

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2020

General information

Principal banker	ABSA ABSA Business Centre Po Box 323 Bloemfontein 9300	
Relevant legislation	Municipal Finance Management Act Division of Revenue Act The Income Tax Amendment Act Value Added Tax Amendment Act Municipal Structures Act Municipal Systems Act Municipal Planning and Performance Management Regulations Housing Act Skills Development Levies Amendment Act Employment Equity Act Unemployment Insurance Act Basic Conditions of Employment Act Supply Chain Management Regulations	
Executive Mayor	Mr P Marekwa	Proportional
Speaker	Ms U Buda	Proportional
Mayoral Committee	Mr M Mokgatlhanyane Ms C Mothibi Mr B Springbok Ms M Motsamai Ms BV Ximba	Proportional Proportional Proportional Proportional Proportional
MPAC Chairperson	Ms D Bishop	Sol Plaatje Municipality
Part Time Councillors	Mr M Mosweu Mr M Kaars Ms D Benjamin Mr P Louw Mr C Mkhonza Ms A Moremong Mr J Musie Ms D Setlholo Ms L Steenkamp Ms KM Sebegu Mr F Thulo Ms M Beylefeld Ms D Niemann Mr C Phiri Ms M Molatudi Mr D M Macinga Ms M A Mahutie Ms H Morometse Mr K Zalisa	Proportional Proportional Proportional Proportional Proportional Phokwane Municipality Phokwane Municipality Proportional Proportional Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Dikgatlong Municipality Dikgatlong Municipality Phokwane Municipality Magareng Municipality

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2020

Approval of Annual Financial Statements

The Municipal Finance Management Act (Act 56 of 2003) requires that I maintain adequate accounting records and remain responsible for the content and integrity of the annual financial statement and related financial information. I am responsible for the preparation of these annual financial statements for the year ended 30 June 2020 which are set out on pages 1 to 80, which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standard Board.

I, as the Accounting Officer, acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable us to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

In light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Officer Bearers Act 20 of 1998 and the Minister of Co-operative Governance's determination in accordance with this Act.

The annual financial statements set out on pages 1 to 80, which have been prepared on the going concern basis, were approved by the accounting officer and are signed off on 30 October 2020.



Ms. ZM Bogatsu
Municipal Manager

30-Oct-20
Date

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Note	Actual 2020 R	Restated 2019 R
ASSETS			
Current Assets		115 455 923	85 531 033
Inventories	2.	380 752	362 518
Receivables from Exchange Transactions	3.	4 045 813	4 105 572
Receivables from Non-exchange Transactions	4.	389 000	-
VAT Receivable	5.	6 600 550	1 926 871
Investments	6.	8 300 000	6 700 000
Cash and Cash Equivalents	7.	94 855 647	71 567 162
Operating Lease Receivables	8.	11 372	909
Current Portion of Long-term Receivables	9.	872 788	868 000
Non-Current Assets		60 571 429	64 605 680
Property, Plant and Equipment	10.	52 750 688	55 396 690
Intangible Assets	11.	296 948	412 698
Investment Property	12.	557 813	571 875
Heritage Assets	13.	631 417	631 417
Long-term Receivables	14.	6 334 564	7 593 000
Total Assets		176 027 352	150 136 712
LIABILITIES			
Current Liabilities		31 602 871	18 527 884
Consumer Deposits	15.	3 450	345
Provisions	16.	11 049 275	9 514 535
Payables from Exchange Transactions	17.	18 889 826	8 920 690
Unspent Conditional Grants and Receipts	18.	1 660 320	92 314
Non-Current Liabilities		23 773 655	31 003 964
Employee Benefit Liabilities	20.	23 674 031	30 895 963
Non-current Provisions	21.	99 624	108 000
Total Liabilities		55 376 526	49 531 848
Total Assets and Liabilities		120 650 826	100 604 865
NET ASSETS			
Reserves	22.	27 204 514	27 468 475
Accumulated Surplus / (Deficit)	23.	93 446 312	73 136 390

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Note	Actual 2020 R	Restated 2019 R
REVENUE			
Revenue from Non-exchange Transactions			
Transfers and Subsidies	24.	124 349 644	125 713 389
Revenue from Exchange Transactions			
Sales of Goods and Rendering of Services	25.	7 853 378	74 620
Rental from Fixed Assets	26.	603 057	857 756
Interest, Dividends and Rent on Land Earned	27.	7 399 488	6 728 692
		<hr/>	<hr/>
EXPENDITURE			
Employee Related Costs	28.	63 753 995	61 650 082
Remuneration of Councillors	29.	6 802 016	6 699 719
Depreciation and Amortisation	30.	3 800 809	3 103 866
Impairment Losses	31.	2 665	-
Interest, Dividends and Rent on Land	32.	-	203 899
Inventory Consumed	33.	1 113 918	1 245 543
Transfers and Subsidies Paid	34.	21 909 203	7 305 733
Operational Costs	35.	22 739 580	28 431 766
Loss on Disposal of Property, Plant and Equipment	36.	58 102	67 294
		<hr/>	<hr/>
Total Expenditure		120 180 288	108 707 902
		<hr/>	<hr/>
SURPLUS / (DEFICIT) FOR THE YEAR		20 025 279	24 666 555
		<hr/>	<hr/>
Refer to Budget Statement for explanation of budget variances			

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Total Funds & Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
	R	R	R
2019			
Balance at 30 June 2018	27 732 439	48 179 417	75 911 856
Change in Accounting Policy (Note 44)	-	-	-
Correction of Error (Note 37.)	-	26 454	26 454
Restated Balance	27 732 439	48 205 871	75 938 310
Surplus / (Deficit) for the year	-	24 666 555	24 666 555
Other Transfers to/from Accumulated Surplus	-	-	-
Transfers to/from Accumulated Surplus	(263 961)	-	(263 961)
Transfers to/from Reserves	-	-	-
Depreciation Offsets	-	263 961	263 961
Balance at 30 June 2019	27 468 478	73 136 387	100 604 865
2020			
Surplus / (Deficit) for the year	-	20 025 279	20 025 279
Other Transfers to/from Accumulated Surplus	-	20 682	20 682
Transfers to/from Accumulated Surplus	(263 961)	-	(263 961)
Transfers to/from Reserves	-	-	-
Depreciation Offsets	-	263 961	263 961
Balance at 30 June 2020	27 204 517	93 446 309	120 650 826

Details on the movement of the Funds and Reserves are set out in Note 22. and Note 23..

FRANCES BAARD DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Actual 2020	Restated 2019
Note	R	R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Transfers and Subsidies	125 917 650	125 599 041
External Interest and Dividends Received	7 399 488	6 728 692
Other Receipts	8 504 049	-
VAT Receivable / Payable	-	1 736 207
Payments		
Employee Related Costs	(69 268 475)	(58 269 285)
Remuneration of Councillors	(6 802 016)	(6 699 719)
External Interest and Dividends Paid	-	(203 899)
Suppliers Paid	(4 779 055)	(17 117 132)
Other Payments	(31 579 860)	(21 116 732)
VAT Receivable / Payable	(4 673 680)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	24 718 100	30 657 172
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(1 101 264)	(9 429 816)
Purchase of Intangible Assets	-	-
Proceeds on Disposal of Property, Plant and Equipment	18 001	-
Decrease / (Increase) in Current Investments	(1 600 000)	(650 000)
Decrease / (Increase) in Long-term Receivables	1 253 648	(82 000)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1 429 615)	(10 161 816)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Borrowings	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	23 288 485	20 495 357
Cash and Cash Equivalents at Beginning of Period	71 567 162	51 071 805
Cash and Cash Equivalents at End of Period	94 855 647	71 567 162

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments variance	Adjustment Budget	Special Budget Adjustments variance	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	%	%
FINANCIAL POSITION											
Current Assets											
Inventories	350 000	75 700	425 700	-	425 700	-	425 700	380 752	(44 948)	89%	109%
Receivables from Exchange Transactions	4 000 000	11 973 550	15 973 550	-	15 973 550	-	15 973 550	4 045 813	(11 927 737)	25%	101%
Receivables from Non-exchange Transactions	-	-	-	-	-	-	-	389 000	389 000	0%	0%
VAT Receivable	-	-	-	-	-	-	-	6 600 550	6 600 550	0%	0%
Investments	-	-	-	-	-	-	-	8 300 000	8 300 000	0%	0%
Cash and Cash Equivalents	48 778 702	25 167 190	73 945 891	5 834 180	79 780 071	-	79 780 071	94 855 647	15 075 576	119%	194%
Operating Lease Receivables	-	-	-	-	-	-	-	11 372	11 372	0%	0%
Current Portion of Long-term Receivables	830 000	38 000	868 000	-	868 000	-	868 000	872 788	4 788	101%	105%
Non-Current Assets											
Property, Plant and Equipment	56 070 429	(467 759)	55 602 670	(365 100)	55 237 570	-	55 237 570	52 750 688	(2 486 882)	95%	94%
Intangible Assets	579 865	(268 001)	311 864	-	311 864	-	311 864	296 948	(14 916)	95%	51%
Investment Property	-	571 870	571 870	-	571 870	-	571 870	557 813	(14 058)	98%	0%
Long-term Receivables	7 652 788	(59 790)	7 592 998	-	7 592 998	-	7 592 998	6 334 564	(1 258 434)	83%	83%
Total Assets	118 893 201	37 030 759	155 923 960	5 469 080	161 393 040	-	161 393 040	176 027 352	14 634 312	109%	148%
Current Liabilities											
Consumer Deposits	5 000	(4 650)	350	-	350	-	350	3 450	3 100	986%	69%
Provisions	12 000 000	(81 200)	11 918 800	-	11 918 800	-	11 918 800	11 049 275	(869 525)	93%	92%
Payables from Exchange Transactions	3 135 500	18 244 760	21 380 260	-	21 380 260	-	21 380 260	18 889 826	(2 490 434)	88%	602%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	1 660 320	1 660 320	0%	0%
Current Portion of Long-term Liabilities	-	-	-	-	-	-	-	-	-	0%	0%
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	-	-	-	0%	0%
Employee Benefit Liabilities	-	-	-	-	-	-	-	23 674 031	23 674 031	0%	0%
Non-current Provisions	35 000 000	(1 346 041)	33 653 959	-	33 653 959	-	33 653 959	99 624	(33 554 335)	0%	0%
Total Liabilities	50 140 500	16 812 869	66 953 369	-	66 953 369	-	66 953 369	55 376 526	(11 576 843)	83%	110%
Total Assets and Liabilities	68 752 701	20 217 890	88 970 591	5 469 080	94 439 671	-	94 439 671	120 650 826	26 211 155	128%	175%
Net Assets (Equity)											
Reserves	27 204 513	-	27 204 513	-	27 204 513	-	27 204 513	27 204 514	1	100%	100%
Accumulated Surplus / (Deficit)	41 548 188	20 217 890	61 766 078	5 469 080	67 235 158	-	67 235 158	93 446 312	26 211 154	139%	225%
Total Net Assets	68 752 701	20 217 890	88 970 591	5 469 080	94 439 671	-	94 439 671	120 650 826	26 211 155	128%	175%

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

The year to date movement comprises of Subscriptions and other services debtors.

Cash and Cash Equivalents:

The variance is due to an improvement in cash flow which result from increased investments and lower spending as a result of cost containment measures implemented and low spending projects due to the National Lockdown.

Operating Lease Reveivables:

Operating lease receivables forms part of Exchange receivables as the budget template does not make provision for a split in the receivables, which causes a misalignment between the AFS template and the budget template.

Property, Plant and Equipment:

There was a deviation on PPE is a result of capital projects being more than anticipated and the deviation on the depreciation as a result of the delay in the building project and the diaster management center. There was a decrease in the adjustment budget due to the national lockdown.

Long-term Receivables:

Due to the actuarial valuation performed at the end of the year, the variation in the long-term receivables was less than anticipated.

Consumer Deposits:

No provision is made on the NT budget template for consumer deposits, it has therefore been included in payables budget, which leads to the variance on the budget statement as stated above.

Unspent Conditional Grants and Receipts:

The municipality anticipated that it would spend all its grant allocations, however due to the national lockdown late RRAMS, FMG, AIDS and Khotso Pula Nala Grants could not be spent 100%.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

Reason for adjustment to original budget

Please refer to the adjustment budget and the special adjustment budget for reasons on variances from the orginal budget.

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Transfers and Subsidies	128 942 000	(1 027 610)	127 914 390	(1 970 000)	125 944 390	-	125 944 390	124 349 644	(1 594 746)	99%	96%
Revenue from Exchange Transactions											
Sales of Goods and Rendering of Services	800 000	-	800 000	-	800 000	-	800 000	7 853 378	7 053 378	982%	982%
Rental from Fixed Assets	1 153 010	-	1 153 010	-	1 153 010	-	1 153 010	603 057	(549 953)	52%	52%
Interest, Dividends and Rent on Land Earned	5 350 000	400 000	5 750 000	2 131 600	7 881 600	-	7 881 600	7 399 488	(482 112)	94%	138%
Total Revenue	136 245 010	(627 610)	135 617 400	161 600	135 779 000	-	135 779 000	140 205 567	4 426 567	103%	103%
Expenditure											
Employee Related Costs	76 174 486	(6 106 040)	70 068 446	-	70 068 446	-	70 068 446	63 753 995	(6 314 451)	91%	84%
Remuneration of Councillors	7 311 420	69 070	7 380 490	-	7 380 490	-	7 380 490	6 802 016	(578 474)	92%	93%
Depreciation and Amortisation	3 628 874	-	3 628 874	-	3 628 874	-	3 628 874	3 800 809	171 935	105%	105%
Impairment Losses	3 000	-	3 000	-	3 000	-	3 000	2 665	(335)	89%	89%
Interest, Dividends and Rent on Land	-	-	-	-	-	-	-	-	-	0%	0%
Contracted Services	24 091 740	(1 422 110)	22 669 630	(3 477 480)	19 192 150	0	19 192 150	-	(19 192 150)	0%	0%
Inventory Consumed	1 671 470	(28 500)	1 642 970	(300 000)	1 342 970	-	1 342 970	1 113 918	(229 052)	83%	67%
Transfers and Subsidies Paid	20 410 720	5 065 000	25 475 720	(270 000)	25 205 720	0	25 205 720	21 909 203	(3 296 518)	87%	107%
Operational Costs	15 679 410	351 410	16 030 820	(1 260 000)	14 770 820	0	14 770 820	22 739 580	7 968 760	154%	145%
Loss on Disposal of Property, Plant and Equipment	300 000	-	300 000	-	300 000	-	300 000	58 102	(241 898)	19%	19%
Total Expenditure	149 271 120	(2 071 170)	147 199 950	(5 307 480)	141 892 470	0	141 892 470	120 180 288	(21 712 182)	85%	81%
Surplus/(Deficit for the Year)	(13 026 110)	1 443 560	(11 582 550)	5 469 080	(6 113 470)	(0)	(6 113 470)	20 025 279	26 138 749	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Sales of Goods and Rendering of Services:

The sale of goods and rendering of services was less than expected due to the low demand for the goods & services and restrictions during the National Lockdown.

Rental from Fixed Assets:

The rental of facilities and equipment was less than expected due to the low demand for the services and restrictions during the National Lockdown.

Interest, Dividends and Rent on Land Earned:

The income from external investments was more than anticipated as more money was invested in call accounts during the financial year. The main reason was that projects could not be fully implemented due to the restrictions during the National Lockdown.

Employee Related Costs:

The variance on the employee related costs is due to the vacant positions which have not been filled, i.e. Directors - Finance, Infrastructure and Planning & Development.

Remuneration of Councillors:

The variance is due to the change in the remuneration as gazetted and the change in the portfolio of Councillors. During the year there were a few council vacancies due to the resignations.

Depreciation and Amortisation:

The depreciation & amortisation on assets was more than expected as assets could not be disposed as planned due to the National Lockdown and the delay in the completion of the building and Disaster Management Center.

Impairment Losses:

No debtors were impaired for the year, as debtors are deemed to be able to repay the municipality. An assessment was made of debtors at the end of the year, and a provision was made for write-off.

Contracted Services:

Repairs and Maintenance Budget is included under Contracted Services, which is reflected under operational cost due to the mSCOA mapping.

Inventory Consumed:

Savings realised on the consumption of inventory due to the implementation of cost containment measures and National Lockdown.

Transfers and Subsidies Paid:

Actual expenditure is below the budgeted amount due to non co-operation from local municipalities in submitting their claims.

Operational Costs:

Operational cost was more than the budgeted amount as the actual amount include the expenditure for Contracted Services.

Loss on Disposal of Property, Plant and Equipment:

The loss on disposal of PPE was lower than anticipated due to the write-off of assets being lower than budgeted during the year.

Reason for adjustment to original budget

Please refer to the adjustment budget and the special adjustment budget for reasons on variances from the original budget.

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	8 100	-	8 100	-	8 100	-	8 100	6 667	(1 433)	82%	82%
Finance and Administration	1 347 600	31 780	1 379 380	(365 100)	1 014 280	-	1 014 280	941 555	(72 725)	93%	70%
Community and Social Services	2 015 900	(1 400 000)	615 900	-	615 900	-	615 900	134 609	(481 291)	22%	7%
Environmental Protection	48 500	-	48 500	-	48 500	-	48 500	-	(48 500)	0%	0%
Planning and Development	104 500	-	104 500	-	104 500	-	104 500	18 432	(86 068)	18%	18%
Total Capital Expenditure	3 524 600	(1 368 220)	2 156 380	(365 100)	1 791 280	-	1 791 280	1 101 264	(690 016)	61%	31%
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Executive and Council:											
Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.											
Finance and Administration:											
Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.											
Community and Social Services:											
Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.											
Planning and Development:											
Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.											
Environmental Protection:											
Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.											
Reason for adjustment to original budget											
Please refer to the adjustment budget and the special adjustment budget for reasons on variances from the original budget.											

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Second Budget Adjustments	Second Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Transfers and Subsidies	128 692 000	(777 610)	127 914 390	(1 970 000)	125 944 390	-	125 944 390	125 917 650	(26 741)	100%	98%
External Interest and Dividends Received	5 350 000	400 000	5 750 000	2 131 600	7 881 600	-	7 881 600	7 399 488	(482 112)	94%	138%
Other Receipts	902 640	-	902 640	6 008 607	6 911 247	-	6 911 247	8 504 049	1 592 802	123%	942%
VAT Receivable / Payable	-	-	-	-	-	-	-	-	-	0%	0%
Employee Related Costs	(76 174 486)	6 106 040	(70 068 446)	-	(70 068 446)	-	(70 068 446)	(69 268 475)	799 971	0%	0%
Remuneration of Councillors	(7 311 420)	(69 070)	(7 380 490)	-	(7 380 490)	-	(7 380 490)	(6 802 016)	578 474	0%	0%
External Interest and Dividends Paid	-	-	-	-	-	-	-	-	-	0%	0%
Suppliers Paid	(18 452 964)	12 376 440	(6 076 524)	(14 458 237)	(20 534 761)	-	(20 534 761)	(4 779 055)	15 755 706	0%	0%
Other Payments	(36 090 130)	(5 416 410)	(41 506 540)	1 530 000	(39 976 540)	-	(39 976 540)	(31 579 860)	8 396 680	0%	0%
VAT Receivable / Payable	-	-	-	-	-	-	-	(4 673 680)	(4 673 680)	0%	0%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(3 524 600)	1 368 600	(2 156 000)	-	(2 156 000)	-	(2 156 000)	(1 101 264)	1 054 736	0%	0%
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0%	0%
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	0%	0%
Purchase of Heritage Assets	-	-	-	-	-	-	-	-	-	0%	0%
Purchase of Biological Assets	-	-	-	-	-	-	-	-	-	0%	0%
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	18 001	18 001	0%	0%
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	-	-	0%	0%
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	-	-	0%	0%
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	-	-	0%	0%
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	0%	0%
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	-	0%	0%
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	-	-	0%	0%
Decrease / (Increase) in Long-term Receivables	-	-	-	7 593 000	7 593 000	-	7 593 000	1 253 648	(6 339 352)	17%	0%
Cash Flows from/(used in) Financing Activities											
Proceeds from Borrowings	-	-	-	-	-	-	-	-	-	0%	0%
Repayment of Borrowings	-	-	-	-	-	-	-	-	-	0%	0%
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	-	-	0%	0%
Cash and Cash Equivalents at End of the Year	(6 608 960)	13 987 990	7 379 030	834 970	8 214 000	-	8 214 000	24 888 485	16 674 485	303%	0%

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

External Interest and Dividends Received:

The income from external investments was more than anticipated as more money was invested in call accounts during the financial year. The main reason was that projects could not be fully implemented due to the restrictions during the National Lockdown.

Other Receipts:

The variance in other receipts is due to the high variance between the budgeted receivable and the actuarial valuation, as the variation on long-term receivable was higher than expected which lead to an increase in other payments on the cash flow.

VAT Receivable / Payable:

There is a variance in the budget as the adjustment budget includes the VAT receivable as part of Receivables from Exchange Transactions. No provision is made on the budget template to separate VAT receivables.

Employee Related Costs:

The variance on the employee related cost is due to the vacant positions which have not been filled, i.e. Director - Finance, Director - Infrastructure and Director - Planning & Development.

Remuneration of Councillors:

The variance are due to the change in the remuneration as gazetted and the change in the portfolio of Councillors. During the year there were a few council members whose contract was terminated.

Suppliers Paid:

The variance is due to the low submission of claims from local municipalities for operation and maintenance, and capital grant. Savings on operational cost due to cost containment measures implemented to ensure elimination of none priority spending and the restriction on the National Lockdown.

Other Payments:

The variance is due to cost containment measures implemented to ensure elimination of none priority spending and the national lockdown.

Purchase of Property, Plant and Equipment:

The variance is due to the savings on capital assets procured and none procurement of assets.

Decrease / (Increase) in Long-term Receivables:

Due to the actuarial valuation performed at the end of the year a variation occurred between the actual and budgeted figure for long-term receivables.

Reason for adjustment to original budget

Please refer to the adjustment budget and the special adjustment budget for reasons on variances from the original budget.

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2019/20		2018/19
	R		R
Net surplus/(deficit) per the statement of financial performance	20 025 279		24 666 555
Revenue from Non-exchange Transactions			
Transfers and Subsidies	4 592 356		(270 389)
Revenue from Exchange Transactions			
Sales of Goods and Rendering of Services	(7 053 378)		725 380
Rental from Fixed Assets	549 953		145 104
Interest, Dividends and Rent on Land Earned	(2 049 488)		(876 693)
Gains on Disposal of Property, Plant and Equipment	-		-
Expenditure			
Employee Related Costs	(12 420 491)		(10 841 108)
Remuneration of Councillors	(509 404)		(530 551)
Depreciation and Amortisation	171 935		(794 231)
Impairment Losses	(335)		(3 000)
Finance Costs	-		(18 591)
Contracted Services	(24 091 740)		(20 045 490)
Inventory Consumed	(557 552)		(366 388)
Grants and Subsidies Paid	1 498 483		(5 567 527)
Operational Costs	7 060 170		13 682 496
Statutory Payments other than Taxes	-		-
Loss on Disposal of Property, Plant and Equipment	(241 898)		(232 706)
Net surplus/deficit per approved budget	(13 026 110)		(327 138)

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Utilisation of Transitional Provisions

GRAP 108 Statutory Receivables

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.

The estimate Statutory Receivables that exists in the municipality's books at year-end are those relating to VAT.

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2021.

1.2 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.3 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2019 and 30 June 2020 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

1.4 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

1.4.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.4.2 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Receivables:
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.4.3 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, and 5.2, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.4.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 10. and 11. to the Annual Financial Statements, if applicable.

1.4.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

1.4.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.4.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.5 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Assumption*.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting (effective 1 April 2020)
- GRAP 20 Related Party Disclosures (effective 1 April 2019)
- GRAP 32 Service Concession Arrangement Grantor (effective 1 April 2019)
- GRAP 108 Statutory Receivables (effective 1 April 2019)
- GRAP 109 Accounting by Principals and Agents (effective 1 April 2019)
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate disclosure:

- GRAP 20 Related Party Disclosures

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality, except for:

- GRAP 108 Statutory Receivables:-
It is expected that the Standard will affect the valuation of Receivables from Non-Exchange Transactions, but the extent cannot be determined at this stage.
- GRAP 109 Accounting by Principals and Agents:-
The effect of this Standard on accounting for transactions between the municipality, another function of government or private sector and third parties, can only be determined once it becomes effective.

2. NET ASSETS

2.1.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. Subsequent adjustments to the Revaluation Reserve are made in accordance with GRAP 17 (Property, Plant and Equipment).

2.1.2 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in Surplus or Deficit and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement

Plant and Equipment

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Revaluation Model:

Buildings and Land

The municipality opted to adopt the application of the *Revaluation Model* for its buildings and land based on the conclusion that this is the more prudent approach for the municipality to follow. The assets are revalued every 5 years.

Subsequent to initial recognition Buildings and Land are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by experienced valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years
	Community	
	Security Measures	5 - 10
	Land and Buildings	
	Land	Indefinite
	Buildings	5-50
	Other	
	Computer Equipment	5 - 27
	Emergency Equipment	5 - 27
	Furniture and Fittings	4 - 30
	Motor Vehicles	5 - 15
	Office Equipment	5 - 27
	Plant and Machinery	4 - 17

3.4 Land

Land is stated at fair value and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.6 Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

4. HERITAGE ASSETS

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

4.1 Initial Recognition

Heritage Assets are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

4.2 Subsequent Measurement

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Heritage Assets is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with GRAP 31 (*Intangible Assets*). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software	10
	Computer Software Licences	10

5.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

6.2 Subsequent Measurement

The municipality reviewed its application of the *Fair Value Model* and concluded that based on a lack of commercial substance for such valuations, the more prudent approach for the municipality would be to carry these assets at their cost prices. The municipality has no intention of selling its land and buildings and thus the *Cost Model* would represent the value of all land and buildings more fairly. The change has resulted in the municipality's Annual Financial Statements providing reliable and more relevant information about the value of Buildings and Land, based on the intended use of these assets in line with all valuation method of all other assets.

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

6.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

8.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

8.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Financial Assets measured at Cost

Financial Assets at Cost are initially measured at the transaction amount and transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at cost less any impairment.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

8.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores distributed at no charge or for a nominal charge are valued at the lower of cost and current replacement cost. The cost is determined using the *weighted average Method*.

9.2.2 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

10. REVENUE RECOGNITION

10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

10.2 Revenue from Exchange Transactions

10.2.1 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

10.2.2 Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

10.2.3 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.3 Revenue from Non-exchange Transactions

10.3.1 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.2 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

10.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

11. PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

12. EMPLOYEE BENEFIT LIABILITIES

12.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

12.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

12.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

12.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

12.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

13. LEASES

13.1 The Municipality as Lessor

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

19. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the *First-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

FRANCES BAARD DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

21. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

The municipality discloses capital expenditure budgeted for but not yet committed.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises of the Councillors and Senior Managers.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

24. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2019 to 30 June 2020.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. GENERAL INFORMATION

Frances Baard District Municipality is a local government institution in the Northern Cape, Kimberley, and has 4 local municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2020. The principal activities of the municipality are disclosed in the Annual Report.

2. INVENTORIES

	2020 R	2019 R
Consumables	380 752	362 518
Total Inventories	380 752	362 518
Reconciliation:		
Opening balance	362 518	341 561
Purchases	364 162	350 540
Issues	(345 929)	(327 710)
Closing Balance	380 752	362 518

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Stores issues amounted to R345 929 for the current year (2019: R327 710)

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	2 732 509	88 121	2 644 389
Other Service Charges	2 732 509	88 121	2 644 389
Prepayments and Advances	1 203 969	-	1 203 969
Rent	-	-	-
Subscriptions	1 203 969	-	1 203 969
Other Debtors	197 455	-	197 455
Total Receivables from Exchange Transactions	4 133 934	88 121	4 045 813

Other service charges is made up of monthly charge for Dikgatlong refund on medical aid, post medical aid recovered from public works, billing recovered from government departments for using land which has not been transferred over to these government departments and debt recovered from employees, i.e. failed courses.

Prepayments and advances consist of SALGA subscription, advance insurance premiums and advance BAUD (asset system) premiums for the 2020/21 financial year.

Other debtors consist of accrued interest from investment accounts and disaster grant (COGHSTA) gazetted but not paid over to the municipality.

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Service Debtors:	1 963 340	88 121	1 875 220
Other Service Charges	1 963 340	88 121	1 875 220
Prepayments and Advances	1 069 031	-	1 069 031
Rent	-	-	-
Subscriptions	1 069 031	-	1 069 031
Other Debtors	1 161 322	-	1 161 322
Total Receivables from Exchange Transactions	4 193 693	88 121	4 105 572

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The impairment on debtors of R88,121 is based on long outstanding debtors, who owe the municipality for more than 120 days. Refer to Note 31. for detail on impairment provision.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2020

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Other Service Charges:					
Gross Balances	414 410	287 303	72 803	1 957 993	2 732 509
Less: Provision for Impairment		-	-	88 121	88 121
Net Balances	414 410	287 303	72 803	1 869 872	2 644 389
Prepayments and Advances:					
Gross Balances	1 203 969	-	-	-	1 203 969
Net Balances	1 203 969	-	-	-	1 203 969
Other Debtors					
Gross Balances	197 455	-	-	-	197 455
Net Balances	197 455	-	-	-	197 455

As at 30 June 2020 Receivables of R2,229,979 were past due, accounts older than 90 days were assessed and only R2 665 was impaired in accordance with the municipal policy. The age analysis of these Receivables are as follows:

	Past Due			Total Past Due
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	287 303	72 803	1 957 993	2 318 099
Less: Provision for Impairment	-	-	88 121	88 121
Net Balances	287 303	72 803	1 869 872	2 229 979

As at 30 June 2019

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Other Service Charges:					
Gross Balances	513 527	255 887	86 478	1 107 448	1 963 340
Less: Provision for Impairment	-	-	-	88 121	88 121
Net Balances	513 527	255 887	86 478	1 019 328	1 875 220
Prepayments and Advances:					
Gross Balances	1 069 031	-	-	-	1 069 031
Net Balances	1 069 031	-	-	-	1 069 031
Other Debtors					
Gross Balances	1 161 322	-	-	-	1 161 322
Net Balances	1 161 322	-	-	-	1 161 322

As at 30 June 2019 Receivables of R1,361,693 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total Past Due
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	255 887	86 478	1 107 448	1 449 813
Less: Provision for Impairment	-	-	88 121	88 121
Net Balances	255 887	86 478	1 019 328	1 361 693

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Accrued Income	389 000	-	389 000
Total Receivables from Non-exchange Transactions	<u><u>389 000</u></u>	<u><u>-</u></u>	<u><u>389 000</u></u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Accrued Income	-	-	-
Total Receivables from Non-exchange Transactions	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

5. VAT RECEIVABLE

Vat Receivable	<u><u>6 600 550</u></u>	<u><u>1 926 871</u></u>
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VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201 Returns.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. INVESTMENTS

Total Bank deposits	<u>8 300 000</u>	<u>6 700 000</u>
	<u><u>8 300 000</u></u>	<u><u>6 700 000</u></u>

Current Investments Movement during year:

Opening Balance	6 700 000	6 050 000
Invested	1 600 000	650 000
Redeemed/withdrawn	-	-
Closing Balance	<u><u>8 300 000</u></u>	<u><u>6 700 000</u></u>

Fixed deposit at Absa until 24 June 2020

Difference Between Cashbook and Bankstatements
 ABSA

2019/20		
Cashbook	Bankstatement	Difference
8 300 000	8 300 000	-

Difference Between Cashbook and Bankstatements
 NEDBANK

2018/19		
Cashbook	Bankstatement	Difference
6 700 000	6 700 000	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. CASH AND CASH EQUIVALENTS

	2020	2019
Current Investments	78 066 381	66 501 000
Bank Accounts	16 785 966	5 062 862
Cash and Cash Equivalents	3 300	3 300
Total Bank, Cash and Cash Equivalents	94 855 647	71 567 162
Net Bank, Cash and Cash Equivalents	94 855 647	71 567 162

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Accounts	78 066 381	66 501 000
Total Current Investment Deposits	78 066 381	66 501 000

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.20 % to 7.10 % (2019: 6.00 % to 8.50 %) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 3.20 % to 7.10 % (2019: 6.00 % to 8.50 %) per annum.

Deposits attributable to Unspent Conditional Grants	1 660 320	92 314
Deposits attributable to Capital Replacement Reserve.	7 957 082	7 957 082
Deposits attributable to Payables	18 889 826	8 920 690
Deposits attributable to Current Provisions	11 049 275	9 514 535
Deposits attributable to Consumer Deposits	3 450	345
Deposits available for Operations	38 506 428	40 016 034
Total Deposits attributable to Commitments of the Municipality	78 066 381	66 501 000

7.2 Bank Accounts

Cash in Bank	16 785 966	5 062 862
Bank Overdraft	-	-
Total Bank Accounts	16 785 966	5 062 862

The Municipality has the following bank accounts:

Primary Bank Account

Standard Bank - Kimberley Business Centre - Primary Account:

Cash book balance at beginning of year	-	67 505
Cash book balance at end of year	-	-

ABSA - Northern Cape Provincial BNKG - Primary Account:

Cash book balance at beginning of year	5 062 862	-
Cash book balance at end of year	16 785 966	5 062 862

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Standard Bank - Kimberley Business Centre - Primary Account:

Bank statement balance at beginning of year	-	1 520 139
Bank statement balance at end of year	-	-

ABSA - Northern Cape Provincial BNKG - Primary Account:

Bank statement balance at beginning of year	5 062 862	-
Bank statement balance at end of year	<u>16 785 966</u>	<u>5 062 862</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

Investment Account

Difference Between Cashbook and Bankstatements

ABSA
FNB
NEDBANK
Standard Bank
Total Investments

2019/20		
Cashbook	Bankstatement	Difference
14 301 000	14 301 000	-
25 065 381	25 065 381	-
35 000 000	35 000 000	-
12 000 000	12 000 000	-
<u>86 366 381</u>	<u>86 366 381</u>	<u>-</u>

Difference Between Cashbook and Bankstatements

ABSA
FNB
NEDBANK
Standard Bank
Total Investments

2018/19		
Cashbook	Bankstatement	Difference
3 001 000	3 001 000	-
12 500 000	12 500 000	-
25 000 000	25 000 000	-
26 000 000	26 000 000	-
<u>66 501 000</u>	<u>66 501 000</u>	<u>-</u>

7.3 Cash and Cash Equivalents

Cash Floats and Advances	3 300	3 300
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Total Cash on hand in Cash Floats, Advances and Equivalents	<u>3 300</u>	<u>3 300</u>
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The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

8. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	909	4 056
Operating Lease Revenue effected	10 463	(3 147)
Total Operating Lease Receivables	<u>11 372</u>	<u>909</u>

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of 60 months (2019/20: 60 months), the new lease came into term on the 1 October 2019.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
The property rental income earned by the municipality from its Investment Property, all of which is leased out under operating leases, amounted to R183,922 (2019: R48,265).		
8.2 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	(6 256)	4 056
2 to 5 years	(17 895)	(3 147)
Total Operating Lease Arrangements	(24 150)	909

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R0 (2019: increase of R0) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

9. CURRENT PORTION OF LONG-TERM RECEIVABLES

Employee Benefits - Roads Members	872 788	868 000
Total Current Portion of Long-term Receivables	872 788	868 000

Current portion of long-term receivables relate to post medical aid payments which the municipality made on behalf of retired Roads members, which is claimed back from the Department of Roads & Public Works on a monthly basis.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2020

Reconciliation of Carrying Value

Description	Land	Buildings	Community	Other	Total
	R	R	R	R	R
Carrying values at 30 June 2019	8 000 000	37 107 599	109 057	10 180 033	55 396 689
Cost	8 000 000	14 509 395	993 726	30 733 889	54 237 009
- Completed Assets	8 000 000	-	993 726	30 279 089	39 272 815
- Under Construction	-	14 509 395	-	454 800	14 964 195
Revaluation	-	42 048 300	-	-	42 048 300
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	-	-19 450 096	-884 668	-20 553 856	-40 888 620
- Cost	-	-	-884 668	-20 553 856	-21 438 525
- Revaluation	-	-19 450 096	-0	-	-19 450 096
Acquisition of Assets					
- Cost: Internal Funding	-	-	-	966 655	966 655
- Capital Under Construction: Internal Funding	-	134 609	-	-	134 609
- Revaluation	-	-	-	-	-
Increases/Decreases in Revaluation	-	-	-	-	-
Depreciation:	-	-784 274	-47 758	-2 839 131	-3 671 163
- Based on Cost	-	-	-47 758	-2 839 131	-2 886 888
- Based on Revaluation	-	-784 274	-	-	-784 274
Carrying value of Disposals:	-45 000	-17	-3 211	-27 875	-76 103
- Cost	-45 000	-	-110 081	-483 320	-638 401
- Revaluation	-	-1 867	-	-	-1 867
- Accumulated Depreciation	-	1 849	106 870	455 445	564 165
- Based on Cost	-	-	106 870	455 445	562 315
- Based on Revaluation	-	1 849	-	-	1 849
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	-	-1 049 944	-	-454 800	-1 504 744
Other Movements	-	645 427	-1	859 317	1 504 743
Carrying values at 2020	7 955 000	36 053 399	58 088	8 684 200	52 750 687
Cost	7 955 000	13 594 060	883 644	31 621 741	54 054 445
- Completed Assets	7 955 000	-	883 644	31 621 741	40 460 385
- Under Construction	-	13 594 060	-	-	13 594 060
Revaluation	-	42 691 860	-	-	42 691 860
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	-	-20 232 521	-825 556	-22 937 542	-43 995 618
- Cost	-	-	-825 556	-22 937 542	-23 763 097
- Revaluation	-	-20 232 521	-0	-	-20 232 521

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2019

Reconciliation of Carrying Value

Description	Land	Buildings	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2018	8 000 000	32 245 906	167 719	8 543 180	48 956 805
Cost	8 000 000	8 880 241	1 011 577	27 698 171	45 589 988
- Completed Assets	8 000 000	-	1 011 577	27 698 171	36 709 748
- Under Construction	-	8 880 241	-	-	8 880 241
Correction of error (Note 37.)	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Transfer to investment assets	-	-	-	-	-
Revaluation	-	42 048 300	-	-	42 048 300
Accumulated Depreciation:	-	(18 682 635)	(843 858)	(19 154 991)	(38 681 484)
- Cost	-	-	(843 858)	(19 154 991)	(19 998 848)
- Revaluation	-	(18 682 635)	-	-	(18 682 635)
Acquisition of Assets					
- Cost: Internal Funding	-	-	-	3 345 862	3 345 862
- Capital Under Construction: Internal Funding	-	5 629 154	-	454 800	6 083 954
Depreciation:	-	(767 461)	(55 885)	(2 099 291)	(2 922 637)
- Based on Cost	-	-	(55 885)	(2 099 291)	(2 155 176)
- Based on Revaluation	-	(767 461)	(0)	-	(767 461)
Carrying value of Disposals:	-	-	(2 776)	(64 518)	(67 294)
- Cost	-	-	(17 851)	(764 943)	(782 794)
- Accumulated Depreciation	-	-	15 075	700 425	715 500
- Based on Cost	-	-	15 075	700 425	715 500
- Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2019	8 000 000	37 107 599	109 057	10 180 033	55 396 689
Cost	8 000 000	14 509 395	993 726	30 733 889	54 237 009
- Completed Assets	8 000 000	-	993 726	30 279 089	39 272 815
- Under Construction	-	14 509 395	-	454 800	14 964 195
Revaluation	-	42 048 300	-	-	42 048 300
Accumulated Depreciation:	-	(19 450 096)	(884 668)	(20 553 856)	(40 888 620)
- Cost	-	-	(884 668)	(20 553 856)	(21 438 525)
- Revaluation	-	(19 450 096)	(0)	-	(19 450 096)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
10. PROPERTY, PLANT AND EQUIPMENT (Continued)			
10.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use			
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.			
10.2 Carrying Amount of Property, Plant and Equipment retired from active use			
No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.			
10.3 Assets pledged as security			
The municipality did not pledge any of its assets as security.			
10.4 Impairment of Property, Plant and Equipment			
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.			
10.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed			
There was no change (2018/19: R0) in the estimated useful life of various assets of the municipality for the financial year.			
10.6 Land and Buildings carried at Fair Value			
The municipality's Land and Buildings are accounted for according to the fair value model. Revaluation is done every five years, and therefore no fair value was determined for the year under review. The last revaluation was done on 2016/17 financial year.			
10.7 Delayed Projects			
	Project Details	Delayed or Halted	
Infrastructure Unit:			
	Project 1: Additional Offices	Delayed	
	Reason: Project experienced some delays and went beyond the projected completion date. These delays are beyo		
		11 276 645	12 326 588
	Project 2: Disaster Management Centre	Delayed	
	Reason: Project experienced some delays and went beyond the projected completion date. These delays are beyond the control of the municipality, as the municipality is experiencing difficulty to remove the Department of Transport, Safety and Liason from the building in order to complete the project.		
		2 182 806	2 182 806
10.8 Expenditure incurred for repairs and maintenance			
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:			
	Information and Communication Infrastructure	14 654	53 320
	Computer Equipment	3 830	6 171
	Furniture and Office Equipment	407 124	400 122
	Machinery and Equipment	331 635	253 367
	Other Assets - Buildings	511 631	597 682
	Transport Assets	116 833	223 791
	Total Expenditure related to Repairs and Maintenance Projects	1 385 708	1 534 454
	Total Repairs and Maintenance related to assets of Frances Baard District Municipality	1 385 708	1 534 454

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. INTANGIBLE ASSETS

	2020	2019
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>296 948</u>	<u>412 698</u>
The movement in Intangible Assets is reconciled as follows:		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>256 818</u>	<u>412 698</u>
The movement in Intangible Assets is reconciled as follows:		
	Software Purchased	Total
Carrying values at 01 July 2019	412 698	412 698
Cost	1 704 958	1 704 958
Accumulated Amortisation	(1 292 260)	(1 292 260)
Acquisitions:	-	-
Amortisation:	(155 880)	(155 880)
Purchased	(155 880)	(155 880)
Carrying values at 30 June 2020	256 818	256 818
Cost	1 704 958	1 704 958
Accumulated Amortisation	(1 448 140)	(1 448 140)
	Software Purchased	Total
Carrying values at 01 July 2018	579 865	579 865
Cost	1 704 958	1 704 958
Accumulated Amortisation	(1 125 093)	(1 125 093)
Acquisitions:	-	-
Purchased Internal Funding	-	-
Amortisation:	(167 167)	(167 167)
Purchased	(167 167)	(167 167)
Disposals:	-	-
Carrying values at 30 June 2019	412 698	412 698
Cost	1 704 958	1 704 958
Accumulated Amortisation	(1 292 260)	(1 292 260)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30.).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

11.1 Significant Intangible Assets

There are no significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 31.

11.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11.3 Impairment of Intangible Assets

2020

2019

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

11.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

10.6 Expenditure incurred for repairs and maintenance

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	2 267 683	2 011 908
Licence fees	2 087 026,29	1 839 307,02
Website Maintenance	180 657,00	172 600,76
	2 267 683	2 011 908

12. INVESTMENT PROPERTY

At Fair Value

At Cost less Accumulated Depreciation

557 813

571 875

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July 2019

Cost	571 875	585 938
Fair Value	600 000	600 000
Accumulated Depreciation	-	-
Accumulated Impairment Losses	(28 125)	(14 063)
	-	-

Acquisitions during the Year

-

-

Depreciation during the Year

(14 063)

(14 063)

Impairment Losses during the Year

-

-

Fair Value Adjustments

-

-

Disposals during the Year:

-

-

Transfers during the Year:

-

-

Carrying values at 30 June 2020

Cost	557 813	571 875
Fair Value	600 000	600 000
Accumulated Depreciation	-	-
Accumulated Impairment	(42 188)	(28 125)
	-	-

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

183 922

48 265

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

12.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

12.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

12.3 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

12.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

12.5 Expenditure incurred for repairs and maintenance

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	-	-
Inventory Consumed	-	-
Labour	-	-
Other Operational Costs	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13. HERITAGE ASSETS

30 June 2020

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2019	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2020	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

13. HERITAGE ASSETS

30 June 2019

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2018	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2019	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13. HERITAGE ASSETS (Continued)

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

13.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

13.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

13.3 Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

13.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

13.5 Expenditure incurred for repairs and maintenance

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	-	3 550
	<hr/>	<hr/>
	<hr/>	<hr/>
		3 550

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
14. LONG-TERM RECEIVABLES		
Employee Benefits	7 207 352	8 461 000
Total Long Term Receivables	<u>7 207 352</u>	<u>8 461 000</u>
Less: Current Portion transferred to Current Receivables:-	872 788	868 000
Employee Benefits	<u>872 788</u>	<u>868 000</u>
Non-Current Portion of Long Term Receivables	<u><u>6 334 564</u></u>	<u><u>7 593 000</u></u>

EMPLOYEE BENEFITS RECEIVABLES

Municipality managed an agency service on behalf of the Department of Roads and Public Works until 30 June 2011. The service has been transferred back to the department from 01 July 2011. As per the agreement, the municipality will continue payment of the post-service medical aid premiums of the retired employees to the service provider. The department will refund the employees portion of the instalment and the members will be responsible for the employee portion. Outstanding amounts are treated as receivables from non-exchange transactions. The receivables is valued by actuaries on a yearly basis which forms part of the analysis as per the employee benefits, refer to note 20.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
15. CONSUMER DEPOSITS		
Other Deposits	3 450	345
Rental Properties	3 450	345
Total Consumer Deposits	3 450	345

CONSUMER DEPOSITS - RENTAL PROPERTIES

Consumer deposits comprise deposits for properties rented out by the municipality.
No interest is paid on Consumer Deposits held.

16. PROVISIONS

Performance Bonus	486 371	486 370
Current Portion of Employee Benefit Liabilities (See Note 20.):	2 261 993	2 307 000
Post-retirement Medical Aid Benefits Liability	1 966 096	2 215 000
Long-term Service Liability	295 897	92 000
Current Portion of Non-Current Provisions (See Note 22.):	8 300 911	6 721 165
Ex-gratia Pension	34 000	32 000
Leave	8 266 911	6 689 165
Total Provisions	11 049 275	9 514 535

The movement in provisions is reconciled as follows:

Current Provisions:

Performance Bonus:

Opening Balance	486 370	281 430
Increases	0	204 940
Reductions	0	-
Reversals	-	-
Balance at end of year	486 371	486 370

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions.
The provision is an estimate of the amount due at the reporting date.

	Medical Aid R	Long-term Service R
30 June 2020		
Opening Balance	2 215 000	92 000
Current service cost	(248 904)	-
Actuarial loss/ (gain) recognised in the year	-	203 897
Balance at end of year	1 966 096	295 897
	Medical Aid R	Long-term Service R
30 June 2019		
Opening Balance	2 004 000	120 000
Current service cost	-	-
Actual employer benefit payments	211 000	(28 000)
Balance at end of year	2 215 000	92 000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Current Portion of Non-Current Provisions:		
Staff Benefit Provisions:		
	Leave Provision	Ex-gratia Pension
	R	R
30 June 2020		
Opening Balance	6 689 165	32 000
Increases	(3 867 814)	2 000
Payments Made	5 445 560	-
Balance at end of year	8 266 911	34 000
	Leave Provision	Ex-gratia Pension
	R	R
30 June 2019		
Opening Balance	6 049 573	35 000
Increases	1 382 003	-
Payments Made	(742 412)	(3 000)
Balance at end of year	6 689 165	32 000

Ex-gratia Pensions Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Leave Provision Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Long Service Award Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is

17. PAYABLES FROM EXCHANGE TRANSACTIONS

Advance Payments	275	(36)
Bonus	1 924 330	1 743 240
Other Payables	29 179	29 179
Unallocated Deposits	29 179	29 179
Retentions	566 603	336 603
Trade Creditors	16 369 438	6 811 703
Total Payables	18 889 826	8 920 690

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>18.1 Conditional Grants from Government</i>	1 660 320	92 314
National Government	1 581 206	-
Provincial Government	79 114	92 314
Total Conditional Grants and Receipts	1 660 320	92 314

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 24. for the reconciliation of Grants from Government and Note 24. for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

19. LONG-TERM LIABILITIES

Long-Term Liabilities

Development Bank of South Africa	-	-
Less: Current Portion transferred to Current Liabilities:-	-	
Development Bank of South Africa - Opening Balance	-	2 455 416
Development Bank of South Africa - Payment	-	(2 455 416)
Non-Current Portion of Long-term Liabilities	-	-

19.1 Summary of Arrangements

The fixed term loan is over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

20. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability	25 936 024	33 202 963
Long Service Awards Liability	23 729 969	31 091 999
	2 206 054	2 110 964
Less: Current Portion of Employee Benefit Liabilities	(2 261 993)	(2 307 000)
Post-retirement Health Care Benefits Liability	(1 966 096)	(2 215 000)
Long Service Awards Liability	(295 897)	(92 000)
Non-Current Portion of Employee Benefit Liabilities	23 674 031	30 895 963

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
20.1 Post-retirement Health Care Benefits Liability		
Non-Current Portion of Liability		
Opening balance	31 091 999	28 513 999
Interest cost	2 678 000	2 765 000
Current service cost	741 000	630 000
Actual employer benefit payments	(1 892 808)	(1 838 765)
Actuarial loss/ (gain) recognised in the year	(8 888 222)	1 021 765
Balance at end of Year	<u>23 729 969</u>	<u>31 091 999</u>
Less: Current Portion of Liability	1 966 096	2 215 000
Total Post-retirement Health Care Benefits Liability	<u>21 763 873</u>	<u>28 876 999</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	70	67
In-service Non-members (Employees)	23	36
Continuation Members (Retirees, widowers and orphans)	38	43
Total Members	<u>131</u>	<u>146</u>

The liability in respect of past service has been estimated as follows:

In-service Members	7 093 385	9 043 000
In-service Non-members	501 600	599 000
Continuation Members	16 134 985	21 449 999
Total Liability	<u>23 729 970</u>	<u>31 091 999</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Current-service Cost for the year ending 30 June 2020 is estimated to be R2,678,000, whereas the cost for the ensuing year is estimated to be R3 537 354 (30 June 2019: R2,765,000 and R2,678,000 respectively).

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate		Yield Curve
Health Care Cost Inflation Rate		Equal to CPI + 1
Net Effective Discount Rate		Yield Curve Based
Expected Rate of Salary Increase	7,13%	7,50%
Expected Retirement Age - Females	65	65
Expected Retirement Age - Males	65	65

	2020 R	2019 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening balance	31 091 999	28 513 999
Interest cost	2 678 000	2 765 000
Current service cost	741 000	630 000
Actual employer benefit payments	(1 892 808)	(1 838 765)
Actuarial loss/ (gain) recognised in the year	(8 888 222)	1 021 765
Total Recognised Benefit Liability	<u>23 729 969</u>	<u>31 091 999</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	23 729 969	31 091 999
	<u>23 729 969</u>	<u>31 091 999</u>
Unfunded Accrued Liability	23 729 969	31 091 999
Total Benefit Liability	<u>23 729 969</u>	<u>31 091 999</u>

The history of fair values are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Present Value of Defined Benefit Obligation	23 729 970	31 091 999	28 513 999	30 074 999	27 792 000
Deficit	<u>23 729 970</u>	<u>31 091 999</u>	<u>28 513 999</u>	<u>30 074 999</u>	<u>27 792 000</u>
Experienced adjustments on Plan Liabilities	(7 362 030)	2 578 000	(1 919 000)	2 356 040	41 820

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1	3 506 205
Effect on the defined benefit obligation	1	26 321 515

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(1)	(2 752 143)
Effect on the defined benefit obligation	(1)	(21 530 095)

The effect of a 20% movement in the withdrawal rate is as follows:

The municipality expects to make a contribution of -R5 469 222 (2019: R4 416 765) to the Defined Benefit Plans during the next financial year.

Refer to Note 43., "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20.2 Long Service Awards Liability

	2020	2019
	R	R
Non-Current Portion of Liability		
Opening Balance	2 110 964	1 990 899
Increases	408 126	456 000
Payments Made	(203 897)	(102 935)
Other Reductions	(109 139)	(233 000)
Reversals	-	-
Balance at end of Year	<u>2 206 054</u>	<u>2 110 964</u>
Less: Current Portion of Liability	295 897	92 000
Total Long Service Awards Liability	<u>1 910 157</u>	<u>2 018 964</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 93 (2020: 93) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2020 is estimated to be R199 000, whereas the cost for the ensuing year is estimated to be R215 813 (30 June 2019: R189 000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Cost Inflation Rate	CPI+1	CPI+1
Expected Rate of Salary Increase	7,50%	6,50%
Expected Retirement Age - Females	65	63
Expected Retirement Age - Males	65	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening Balance	2 110 964	1 990 899
Increases	408 126	456 000
Payments Made	(203 897)	(102 935)
Other Reductinos	(109 139)	(233 000)
Reversals	-	-
Increases (Passage of Time/Discounted Rate)		
Total Recognised Benefit Liability	<u>2 206 054</u>	<u>2 110 964</u>

	2020	2019
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2 206 054	2 110 964
	<u>2 206 054</u>	<u>2 110 964</u>
Unfunded Accrued Liability	2 206 054	2 110 964
Total Benefit Liability	<u>2 206 054</u>	<u>2 110 964</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	199 000	189 000
Interest cost	184 000	239 000
Expected return on reimbursement rights		-
Actuarial losses / (gains)	(178 771)	(205 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 28.)	<u>204 229</u>	<u>223 000</u>

The history of experienced adjustments is as follows:

	2020	2019	2018	2017	2016
	R	R	R	R	R
Present Value of Defined Benefit Obligation	2 206 054	2 110 964	1 990 899	1 953 000	1 792 000
Deficit	<u>2 206 054</u>	<u>2 110 964</u>	<u>1 990 899</u>	<u>1 953 000</u>	<u>1 792 000</u>

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	421 169	414 000
Effect on the defined benefit obligation	2 356 164	2 262 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(365 164)	(355 000)
Effect on the defined benefit obligation	(2 078 075)	(1 973 000)

The municipality expects to make a contribution of R383 000 (2020: R391 784) to the defined benefit plans during the next financial year.

21. NON-CURRENT PROVISIONS

Ex-gratia Pension	99 624	108 000
Total Non-current Provisions	<u>99 624</u>	<u>108 000</u>

The movement in Non-current Provisions are reconciled as follows:

Staff Benefit Provisions:

Ex-Gratia Pension

Opening Balance	108 000	108 910
Increases	27 713	33 180
Payments Made	(34 090)	(34 090)
Balance at end of year	<u>99 624</u>	<u>108 000</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Capital Replacement Reserve	7 957 082	7 957 082
Revaluation Reserve	19 247 432	19 511 393
Total Reserves	<u>27 204 514</u>	<u>27 468 475</u>

22.1 Capital Replacement Reserve

The Capital Replacement Reserve arises from cash backed accumulated surplus for the replacement of capital infrastructure/equipment.

Reconciliation of the Capital Replacement Reserve:

Opening Balance	7 957 082	7 957 082
Balance at end of year	<u>7 957 082</u>	<u>7 957 082</u>

22.2 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings and qualifying Community Assets. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Reconciliation of Revaluation Reserve

Opening Balance	19 511 393	19 775 353
Transfers to/from Accumulated Surplus	(263 961)	(263 961)
Balance at end of year	<u>19 247 432</u>	<u>19 511 393</u>

23. ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	93 446 312	73 136 390
Total Accumulated Surplus	<u>93 446 312</u>	<u>73 136 390</u>

Reconciliation of Accumulated Surplus:

Opening Balance	72 934 309	48 179 417
Correction of Prior Period Error	222 760	26 454
Depreciation Offsets	263 961	263 961
Accumulated Surplus As Per Financial Performance	20 025 282	24 666 558
Total Accumulated Surplus	<u>93 446 312</u>	<u>73 136 390</u>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
24. TRANSFERS AND SUBSIDIES RECEIVED		
Capital Grants	-	2 521 000
Monetary Allocations	-	2 521 000
Operational Grants	124 349 644	123 192 389
Monetary Allocations	124 349 644	123 192 389
Total Government Grants and Subsidies	124 349 644	125 713 389
24.1 Capital Grants		
	Monetary Allocations	
	2020	2019
National Governments	-	2 521 000
Total Capital Grants Received	-	2 521 000
24.2 Operational Grants		
	Monetary Allocations	
	2020	2019
SETA: Skills grant	40 178	73 704
National Governments	3 604 794	1 000 000
National Revenue Fund	120 606 000	116 209 000
ABSA	-	-
Provincial Government	13 200	5 909 686
Total Operational Grants Received	124 389 822	123 192 389
24.3 Calculation of Cash Flow:		
Government Grants and Subsidies Income	124 349 644	125 713 389
Opening Balance of Unspent Government Grants	(92 314)	(206 662)
Closing Balance of Unspent Government Grants (reconcile with note 7)	1 660 320	92 314
Total Receipts for Government Grants and Subsidies	125 917 650	125 599 041
24.4 Reconciliation per Grant Source		
24.4.1 National Governments		
Balance unspent at beginning of year	-	4 538
Current year receipts	125 792 000	120 843 000
Conditions met - transferred to Revenue	(124 210 794)	(120 847 538)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	1 581 206	-
These grants have been used to fund operations within the municipality, the grants consist of Equitable Share, EPWP, RRAMS and FMG received from National Government.		
24.4.2 National Revenue Fund - Fuel Levy & Equitable Share		
Current year receipts	120 606 000	116 209 000
Conditions met - transferred to Revenue	(120 606 000)	(116 209 000)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	-	-
This grant has been used to fund operational expenses within the municipality.		
24.4.2.1 Rural Road Asset Management System Grant (RRAMS)		
Current year receipts	2 670 000	2 521 000
Conditions met - transferred to Revenue	(1 340 862)	(2 521 000)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	1 329 138	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
24.4.2.2 Financial Management Grant (FMG)		
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue	(747 932)	(1 000 000)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>252 068</u>	<u>-</u>

24.4.2.3 Extended Public Works Programme (EPWP)		
Balance unspent at beginning of year	-	202 124
Current year receipts	1 270 000	1 113 000
Conditions met - transferred to Revenue	(1 270 000)	(1 113 000)
Other Adjustments/Refunds	-	(202 124)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>-</u>	<u>-</u>

24.4.3 SETA: Skills grant

Balance unspent at beginning of year	-	-
Current year receipts	40 178	73 704
Conditions met - transferred to Revenue	(40 178)	(73 704)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>-</u>	<u>-</u>

LGSETA: This grant has been used to fund training within the municipality. No funds have been withheld.

24.4.4 Provincial Government

Balance unspent at beginning of year	92 314	-
Current year receipts	-	4 500 000
Conditions met - transferred to Revenue	(13 200)	(4 407 686)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>79 114</u>	<u>92 314</u>

These grants were used for operation and maintenance of clean up amenities (KHOTSO PULA NALA), HIV/AIDS awareness (AIDS Grant) from provincial government and Disaster Management Grant.

25. SALES OF GOODS AND RENDERING OF SERVICES

Other Revenue	7 853 378	74 620
Total Sales of Goods and Rendering of Services	<u>7 853 378</u>	<u>74 620</u>

26. RENTAL FROM FIXED ASSETS

Other Rental income		
Ad-hoc Rental Income from Other Fixed Assets	603 057	857 756
Total Rental of Facilities and Equipment	<u>603 057</u>	<u>857 756</u>

Rental income generated are at market related premiums.

27. INTEREST RECEIVED

External Investments:		
Bank Account	134 763	216 747
Other Deposits	7 264 725	6 511 945
Total Exchange Interest Earned	<u>7 399 488</u>	<u>6 728 692</u>
Total Interest, Dividends And Rent On Land Earned	<u>7 399 488</u>	<u>6 728 692</u>

27.1 Calculation of Cash Flow:

External Interest Income	7 399 488	6 728 692
Total Receipts for Interest Received	<u>7 399 488</u>	<u>6 728 692</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
28. EMPLOYEE RELATED COSTS		
Salaries and Wages		
Basic	43 794 633	41 073 854
Long Service Awards	20 229	(16 000)
Actual Long Service Awards Paid	189 000	230 000
Actuarial (Gain)/Loss on Long Service Awards for the year	(205 000)	61 000
Bonus	-	204 940
Leave Payments	1 689 221	1 382 003
Overtime	188 847	211 327
Allowances		
Bonus	2 935 853	2 857 856
Cellular and Telephone	291 408	267 697
Housing Benefits	435 487	430 501
Scarcity Allowance	-	-
Travel or Motor Vehicle	2 954 706	3 204 046
Social Contributions		
Bargaining Council	14 519	14 358
Group Life Insurance	478 622	442 941
Medical	2 330 465	2 405 999
Pension	5 495 398	5 134 217
Unemployment Insurance	210 893	217 900
Post-retirement Benefit		
Current Service Cost	741 000	630 000
Interest Cost	2 172 713	2 221 000
Actuarial Gains and Losses	-	967 445
Total Employee Related Costs	63 753 995	61 650 082
28.1 Calculation of Cash Flow:		
Employee Related Costs Expenditure	63 753 995	61 650 082
Opening Balance of Current Employee Benefit Liabilities	2 307 000	2 124 000
Closing Balance of Current Employee Benefit Liabilities	(2 261 993)	(2 307 000)
Opening Balance of Current Staff Benefit Provisions	6 721 165	6 084 573
Closing Balance of Current Staff Benefit Provisions	(8 300 911)	(6 721 165)
Opening Balance of Non-current Employee Benefit Liabilities	30 895 963	28 380 898
Closing Balance of Non-current Employee Benefit Liabilities	(23 674 031)	(30 895 963)
Opening Balance of Non-current Staff Benefit Provisions	108 000	108 910
Closing Balance of Non-current Staff Benefit Provisions	(99 624)	(108 000)
Total Payments for Employee Related Costs	69 449 565	58 316 335
No advances were made to employees.		
Remuneration of Section 56 Employees:		
Remuneration of the Municipal Manager - Ms ZM Bogatsu		
Annual Remuneration	1 496 354	1 364 767
Performance Bonus	-	113 970
Car and Other Allowances	25 896	113 954
Company Contributions to UIF, Medical and Pension Funds	-	1 881
Total	1 522 251	1 594 572
Remuneration of the Acting Director Financial Services - Ms. O Moseki (Acting)		
Annual Remuneration	1 037 245	310 881
Performance Bonus	-	14 609
Car and Other Allowances	14 693	72 862
Company Contributions to UIF, Medical and Pension Funds	-	68 134
Total	1 051 938	466 486

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
Remuneration of the Executive Director Administration - Mrs. KG Gaborone		
Annual Remuneration	1 183 684	1 060 287
Performance Bonus	-	90 970
Car and Other Allowances	19 896	123 238
Company Contributions to UIF, Medical and Pension Funds	-	1 881
Total	1 203 580	1 276 377
Remuneration of Acting Executive Director: Infrastructure Services - Mr S Suliman (Acting)		
Annual Remuneration	223 274	127 664
Car and Other Allowances	4 357	27 545
Company Contributions to UIF, Medical and Pension Funds	-	7 423
Total	227 630	162 632
Remuneration of Acting Executive Director: Planning & Development - Mr F Netshivhodza (Acting)		
Annual Remuneration	930 452	265 326
Bonus	-	-
Car and Other Allowances	15 669	70 864
Company Contributions to UIF, Medical and Pension Funds	-	59 185
Total	946 121	417 193
Summary of Remuneration of Section 56 Employees:		
All Managers	4 951 521	3 917 260
Total Remuneration of Section 56 Employees	4 951 521	3 917 260

The annual performance evaluation of the senior managers was not conducted due to delay in compilation

29. REMUNERATION OF COUNCILLORS

Executive Mayor	938 250	910 530
Basic Salaries	893 850	859 470
Travel Allowances	-	-
Cellphone Allowances	44 400	51 060
Speaker	759 478	716 382
Basic Salaries	715 078	672 937
Sitting Allowances	-	-
Travel Allowances	-	-
Cellphone Allowances	44 400	43 445
Any Other Benefits	-	-
Mayoral Committee Members	2 613 295	3 241 772
Basic Salaries	2 613 295	2 399 328
Travel Allowances	-	634 505
Cellphone Allowances	-	207 940
Any Other Benefits	-	-
MPAC Chairperson	319 386	313 699
Basic Salaries	319 386	235 274
Travel Allowances	-	78 425
Total for All Other Councillors	2 171 608	1 517 335
Basic Salaries	2 171 608	975 142
Sitting Allowances	-	207 398
Travel Allowances	-	153 495
Cellphone Allowances	-	181 300
Any Other Benefits	-	-
Total Councillors' Remuneration	6 802 016	6 699 719

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

30. DEPRECIATION AND AMORTISATION

	2020	2019
	R	R
Depreciation: Property, Plant and Equipment	3 670 995	2 922 637
Depreciation: Investment Property	14 063	14 063
Amortisation: Intangible Assets	115 751	167 167
Total Depreciation and Amortisation	<u>3 800 809</u>	<u>3 103 866</u>

30.1 Depreciation: Property, Plant and Equipment

Community Assets	47 590	55 885
Buildings	784 274	767 461
Other Assets	2 839 131	2 099 291
	<u>3 670 995</u>	<u>2 922 637</u>

31. IMPAIRMENT LOSSES

Impairment Losses on Current Assets	2 665	-
Total Impairment Losses	<u>2 665</u>	<u>-</u>

31.1 Impairment Losses on Debtors

Total impairment Losses on Debtors	2 665	-
	<u>2 665</u>	<u>-</u>

The provision for bad debts remained unchanged in the 2019/20 financial year, as the same amount of R88 120.53 was outstanding for more than 120 days. The remaining debt of R1 957 933.46 which is older than 120days consist of current debt being recovered from employees and government departments.

32. INTEREST PAID

Interest Paid	-	203 899
Borrowings	<u>-</u>	<u>203 899</u>
Total Interest Expense	-	203 899
	<u>-</u>	<u>203 899</u>

Total Interest, Dividends and Rent on Land

32.1 Calculation of Cash Flow:

Finance Cost Expenditure	-	203 899
Total Payments for Finance Costs	<u>-</u>	<u>203 899</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

33. INVENTORY CONSUMED	2020	2019
	R	R
Materials and Supplies	1 113 918	1 245 543
	<u>1 113 918</u>	<u>1 245 543</u>

34. TRANSFERS AND SUBSIDIES PAID

Capital Grants	7 594 005	-
Allocations In-kind	<u>7 594 005</u>	<u>-</u>
Operational Grants	14 315 197	7 305 733
Allocations In-kind	<u>13 219 550</u>	<u>7 055 733</u>
Monetary Allocations	<u>1 095 648</u>	<u>250 000</u>
Total Transfers and Subsidies Paid	<u>21 909 203</u>	<u>7 305 733</u>

34.1 Capital Grants

	Allocations In-kind		Monetary Allocations	
	2020	2019	2020	2019
Local Municipalities	7 594 005	-	-	-
Non-profit Institutions	-	-	-	-
Total Capital Grants Paid	<u>7 594 005</u>	<u>-</u>	<u>-</u>	<u>-</u>

34.2 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2020	2019	2020	2019
Departmental Agencies and Accounts	-	-	13 900	-
Local Municipalities	12 651 812	6 537 173	1 081 748	250 000
Households	514 157	410 960	-	-
Non-profit Institutions	53 581	107 600	-	-
Total Operational Grants Paid	<u>13 219 550</u>	<u>7 055 733</u>	<u>1 095 648</u>	<u>250 000</u>

The allocation in kind made to households consist of materials which the municipality bought during special projects which was provided to community members.

The allocation in kind made non-profit institutions consist of equipment given to schools during the tourism business competition held on a yearly basis.

2020 **2019**

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

35. GENERAL EXPENDITURE

Advertising, Publicity and Marketing	526 119	1 038 565
Bank Charges, Facility and Card Fees	58 910	64 694
Bursaries (Employees)	207 419	185 924
Cleaning Services	3 940	10 147
Communication	31 330	39 822
Entertainment	136 246	142 090
External Audit Fees	1 984 445	2 009 224
External Computer Service	258 119	396 819
Honoraria (Voluntarily Workers)	4 000	7 200
Insurance Underwriting	546 727	527 030
Licences	21 577	23 024
Municipal Services	2 596 446	2 305 204
Printing, Publications and Books	74 855	95 164
Professional Bodies, Membership and Subscription	816 496	771 758
Registration Fees	83 048	141 491
Resettlement Cost	116 020	58 210
Skills Development Fund Levy	550 583	520 732
Toll Gate Fees	568	23 284
Transport Provided as Part of Departmental Activities	174 151	199 453
Travel and Subsistence	768 921	1 458 514
Uniform and Protective Clothing	47 601	44 210
Wet Fuel	1 139	909
Workmen's Compensation Fund	295 969	210 519
Burial Services	4 800	7 700
Business and Advisory	6 030 054	11 307 601
Catering Services	414 994	401 675
Employee Wellness	63 032	281 776
Event Promoters	390 521	299 734
Exhibit Installations	277 966	274 258
Graphic Designers	27 826	97 965
Infrastructure and Planning	110 000	369 928
Legal Cost	127 185	19 523
Litter Picking and Street Cleaning	982 519	-
Maintenance of Buildings and Facilities	512 066	640 650
Maintenance of Computer Software	2 282 338	2 139 811
Maintenance of Equipment	861 201	840 484
Security Services	1 038 287	822 036
Sports and Recreation	-	293 700
Stage and Sound Crew	312 160	360 939
Total General Expenditure	22 739 580	28 431 766

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

35.1 Calculation of Cash Flow:

		2020	2019
		R	R
Expenditure for Operational Costs	Note 35.	(22 739 580)	(28 431 766)
Expenditure for Transfers and Subsidies Paid	Note 34.	(21 909 203)	(7 305 733)
Total for Other Payments		<u>(45 014 809)</u>	<u>(35 737 499)</u>

35.2 Travel and Subsistence

Domestic	768 921	1 458 514
Accommodation	355 132	800 543
Daily Allowance	80 098	120 861
Food and Beverage (Served)	47 442	76 446
Transport without Operator	204 615	292 528
Transport with Operator	81 635	168 136
	<u>768 921</u>	<u>1 458 514</u>

No other extra-ordinary expenses were incurred.

36. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	(58 103)	(67 294)
Total Gains / (Losses) on Disposal of Capital Assets	<u>(58 103)</u>	<u>(67 294)</u>
Total Gains and Losses	<u>58 102</u>	<u>67 294</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
37. Correction of Prior Period Error		
37.1 Delayed Projects		
Amount previously reported: Note 10.7	12 091 573	
Amount currently reported	12 326 589	
37.2 Summary of Financial Liabilities		
Amount previously reported: Note 42.1	6 576 687	
Amount currently reported	6 811 703	
37.3 Liquidity and Interest Tables		
Amount previously reported: Note 42.8	6 322 572	
Amount currently reported	8 920 690	
The effect of the changes are as follows:		
		Accumulated Surplus
Balances published as at 30 June 2018		48 179 417
Correction of Error:-		
Adjustment for Cost of PPE written off	(108 542)	
Adjustment for Accumulated Depreciation of PPE written off	105 364	
Adjustment of Alignment of Asset Register to Trial Balance	29 634	
Total Adjustments	-	26 455
Restated Balances as at 30 June 2018		48 205 872
Transactions incurred for the Year 2018/19		24 929 456
Correction of Error:-		
Adjustment for Depreciation on written off PPE	1 062	
Total Adjustments	-	1 062
Restated Balances as at 30 June 2019		73 136 390

37.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Employee Related Costs	61 650 082	-	61 650 082
Remuneration of Councillors	6 699 719	-	6 699 719
Depreciation and Amortisation	3 104 929	(1 062)	3 103 866
Impairment Losses	-	-	-
Interest, Dividends and Rent on Land	203 899	-	203 899
Bulk Purchases	-	-	-
Contracted Services	-	-	-
Inventory Consumed	1 245 543	-	1 245 543
Transfers and Subsidies Paid	7 305 733	-	7 305 733
Operating Leases	-	-	-
Operational Costs	28 431 766	-	28 431 766
Losses on Other Operations	-	-	-
Income Taxes	-	-	-
Statutory Payments other than Taxes	-	-	-
Loss on Disposal of Property, Plant and Equipment	67 292	-	67 294
	108 708 962	(1 062)	108 707 902

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

37.3 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Current Assets			
Inventories	362 518	-	362 518
Receivables from Exchange Transactions	4 105 572	-	4 105 572
VAT Receivable	1 926 871	-	1 926 871
Investments	6 700 000	-	6 700 000
Cash and Cash Equivalents	71 567 162	-	71 567 162
Operating Lease Receivables	909	-	909
Current Portion of Long-term Receivables	868 000	-	868 000
Non-Current Assets			
Property, Plant and Equipment	55 134 158	262 532	55 396 690
Intangible Assets	412 698	-	412 698
Investment Property	571 875	-	571 875
Heritage Assets	631 417	-	631 417
Long-term Receivables	7 593 000	-	7 593 000
Current Liabilities			
Consumer Deposits	(345)	-	(345)
Provisions	(9 514 535)	-	(9 514 535)
Payables from Exchange Transactions	(8 685 674)	(235 016)	(8 920 690)
Unspent Conditional Grants and Receipts	(92 314)	-	(92 314)
Non-Current Liabilities			
Employee Benefit Liabilities	(30 895 963)	-	(30 895 963)
Non-current Provisions	(108 000)	-	(108 000)
Net Assets			
Reserves	(27 468 475)	-	(27 468 475)
Accumulated Surplus / (Deficit)	(73 108 873)	(27 517)	(73 136 390)
	<u>-</u>	<u>-</u>	<u>-</u>

38. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	20 025 279	24 666 555
Adjustment for:		
Depreciation and Amortisation	3 800 809	3 104 929
Losses / (Gains) on Disposal of Property, Plant and Equipment	58 102	67 294
Contribution to Post-retirement Employee Benefits	(5 469 222)	4 416 765
Expenditure incurred from Post-retirement Employee Benefits	(1 892 808)	(1 838 765)
Contribution to Long Service Awards Liability	408 126	456 000
Expenditure incurred from Long Service Awards Liability	(203 897)	(102 935)
Contribution to Provisions - Current	-	204 940
Contribution to Provisions - Non-current	27 713	33 180
Operating surplus before working capital changes	16 754 103	31 007 964
Decrease/(Increase) in Inventories	(18 234)	(20 958)
Decrease/(Increase) in Receivables from Exchange Transactions	59 759	(2 222 241)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(389 000)	-
Decrease/(Increase) in VAT Receivable	(4 673 680)	1 736 207
Decrease/(Increase) in Operating Lease Receivables	(10 463)	3 147
Decrease/(Increase) in Current Portion of Long-term Receivables	(4 788)	(49 000)
Increase/(Decrease) in Consumer Deposits	3 105	(225)
Increase/(Decrease) in Payables from Exchange Transactions	9 969 136	2 119 586
Increase/(Decrease) in Conditional Grants and Receipts	1 568 006	(114 348)
Increase/(Decrease) in Operating Lease Liabilities	1 460 156	-1 802 961

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Cash generated by / (utilised in) Operations

<u>24 718 100</u>	<u>30 657 171</u>
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FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

39. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
- As previously stated	-	-
- Correction of error	-	-
Unauthorised Expenditure	-	-
- Current Year	-	-
- Prior Year	-	-
Approved by Council or condoned	-	-
- Current Year	-	-
- Prior Year	-	-
To be recovered – contingent asset (see Note 59)	-	-
- Current Year	-	-
- Prior Year	-	-
Transfer to receivables for recovery (see Note 4)	-	-
- Current Year	-	-
- Prior Year	-	-
Unauthorised Expenditure awaiting authorisation	-	-

39.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 207	1 207
- As previously stated	1 207	1 207
Fruitless and Wasteful Expenditure current year	-	5 323
- Current Year	-	5 323
Condoned or written off by Council	-	(5 323)
- Current Year	-	(5 323)
Transfer to receivables for recovery (see Note 4)	-	-
- Current Year	-	-
Fruitless and Wasteful Expenditure awaiting condonement	1 207	1 207

Incident	Disciplinary Steps / Criminal Proceedings	2020	2019
Robbie Pienaar - R0 (2019: R5,323)	To be recovered	-	5 323
		-	5 323

39.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	31 690	3 551 500
- As previously stated	31 690	3 551 500
- Correction of error	-	-
Irregular Expenditure current year	91 286	5 901 376
- Current Year	91 286	5 901 376
- Prior Year	-	-
Condoned or written off by Council	(122 976)	(9 421 186)
- Current Year	(91 286)	(5 869 686)
- Prior Year	(31 690)	(3 551 500)
Irregular Expenditure awaiting condonement	0	31 690

Incident	Disciplinary Steps / Criminal Proceedings	2020	2019
Advertisement for construction of additional offices (Bid 07 / 16) - R0 (: R5,869,686)	Written Off		5 869 686
ENSLINS - R62,130 (: R0)	Written Off	62 130	-
Banking Services - R29,155 (: R31,690)	Written Off	29 156	31 690
		91 286	5 901 376

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

40. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government - SALGA

Council Subscriptions	806 736	662 934
Amount Paid - current year	(806 736)	(662 934)
Balance Unpaid (included in Creditors)	-	-

40.2 Audit Fees

Current year Audit Fee	(1 984 445)	1 928 678
Amount Paid - current year	1 984 445	(1 928 678)
Balance Unpaid (included in Creditors)	-	-

40.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5.. All VAT returns have been submitted by the due date throughout the year.

40.4 PAYE, Skills Development Levy and UIF

Opening Balance	6 027	111 517
Current year Payroll Deductions	12 143 000	14 550 381
Amount Paid - current year	(12 056 092)	(14 655 871)
Balance Unpaid (included in Creditors)	92 935	6 027

40.5 Pension and Medical Aid Deductions

Opening Balance	-	(2)
Current year Payroll Deductions and Council Contributions	15 714 042	14 841 511
Amount Paid - current year	(15 714 042)	(14 841 509)
Balance Unpaid (included in Creditors)	0	-

40.6 Non-Compliance with the Municipal Finance Management Act

None

40.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager, noted by Council and disclosed in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

30 June 2020

Supplier	Service	Amount
BIG O TRADING	Banking Performance: World Environmental Health Day	46 000
PLATFONTEIN LODGE	Catering: World Environmental Health Day Commemoration.	35 000
KENOSI SOLUTION	Marketing materials: World Environmental Day	79 580
ENVIROCON INSTRUMENTATION	Calibration and repair of E-Sampler.	28 141
PINO TAU OUTDOOR MEDIA	Participating at the market at Flamingo Casino Exhibition.	90 000
Total:		278 721

30 June 2019

Supplier	Service	Amount
WOLTERS KLUWER	Annual renewal of TeamMate software and license with	53 320
COASTAL HIRE	Repairs and service of a septic tank to extract sewerage from	7 125
ESRI SOUTH AFRICA	Esri software maintenance	45 575
SIYAVANA CATERING	Catering for HIV/AIDS awareness programme	45 000
LILINTLE TRANSPORT SUPPLIER	Transportation for HIV/AIDS awareness programme	53 500
ERNEST NOMBULELO GENERAL TRADING	Sound equipment hire for HIV/AIDS awareness programme	30 000
SETLOGELO TRANSPORT AND GENERAL TRADING	Transportation for HIV/AIDS awareness programme	40 799
S & F EMPLOYMENT SERVICES	Catering for HIV/AIDS awareness with LGBTI community	68 310
Total:		343 629

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41. COMMITMENTS FOR EXPENDITURE

41.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- **Approved and Contracted for:-**
Land and Buildings

-	830 705
-	830 705

- **Approved but Not Yet Contracted for:-**
Land and Buildings
Other

8 740 390	-
2 365 290	-
6 375 100	-

Total Capital Commitments

8 740 390	830 705
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This expenditure will be financed from:
Internally generated funds.

8 740 390	830 705
8 740 390	830 705

42. FINANCIAL INSTRUMENTS

42.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Employee Benefits	Amortised cost	6 334 564	7 593 000
Receivables from Exchange Transactions			
Other Service Charges	Amortised cost	2 644 389	1 875 220
Prepayments and Advances	Amortised cost	1 203 969	1 069 031
Control, Clearing and Interface Accounts	Amortised cost	197 455	1 161 322
Investments	Amortised cost	8 300 000	6 700 000
Cash and Cash Equivalents			
Call Deposits	Amortised cost	78 066 381	66 501 000
Short-term Portion of Investments	Amortised cost	-	-
Bank Balances	Amortised cost	16 785 966	5 062 862
Cash Floats and Advances	Fair value	3 300	3 300
Current Portion of Long-term Receivables			
Employee Benefits	Amortised cost	872 788	868 000
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Employee Benefits	6 334 564	7 593 000
Receivables from Exchange Transactions	Other Service Charges	2 644 389	1 875 220
Receivables from Exchange Transactions	Prepayments and Advances	1 203 969	1 069 031
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	197 455	1 161 322
Current Portion of Long-term Receivables	Employee Benefits	872 788	868 000
Investments	Investments	8 300 000	6 700 000
Cash and Cash Equivalents	Call Deposits	78 066 381	66 501 000
Cash and Cash Equivalents	Bank Balances	16 785 966	5 062 862
		114 794 512	90 830 434

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Assets at Fair Value:

Cash and Cash Equivalents	Cash Floats and Advances	3 300	3 300
		<u>3 300</u>	<u>3 300</u>
Total Financial Assets		<u>114 797 812</u>	<u>90 833 734</u>

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Payables from Exchange Transactions			
Advance Payments	Amortised cost	275	(36)
Bonus	Amortised cost	1 924 330	1 743 240
Other Payables	Amortised cost	29 179	29 179
Retentions	Amortised cost	566 603	336 603
Unspent conditional grants	Amortised cost	1 660 320	92 314
Trade Creditors	Amortised cost	16 369 438	6 811 703
Current Portion of Long-term Liabilities			
Development Bank of South Africa	Amortised cost	-	(2 455 416)

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Payables from Exchange Transactions	Advance Payments	275	(36)
Payables from Exchange Transactions	Bonus	1 924 330	1 743 240
Payables from Exchange Transactions	Leave Accrual	-	-
Payables from Exchange Transactions	Other Payables	29 179	29 179
Payables from Exchange Transactions	Retentions	566 603	336 603
Payables from Exchange Transactions	Unspent conditional grants	1 660 320	92 314
Payables from Exchange Transactions	Trade Creditors	16 369 438	6 811 703
Current Portion of Long-term Liabilities	Development Bank of South Africa	-	(2 455 416)
		<u>20 550 146</u>	<u>6 557 588</u>
Total Financial Liabilities		<u>20 550 146</u>	<u>6 557 588</u>

42.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2020, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2020		30 June 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R
FINANCIAL ASSETS				
Measured at Amortised Cost:	114 794 512	114 794 512	90 830 434	90 830 434
Long-term Receivables	6 334 564	6 334 564	7 593 000	7 593 000
Receivables from Exchange Transactions	4 045 813	4 045 813	4 105 572	4 105 572
Current Portion of Long-term Receivables	872 788	872 788	868 000	868 000
Call Deposits	78 066 381	78 066 381	66 501 000	66 501 000
Investments	8 300 000	8 300 000	6 700 000	6 700 000
Bank Balances	16 785 966	16 785 966	5 062 862	5 062 862
Measured at Fair Value	3 300	3 300	3 300	3 300
Cash and Cash Equivalents	3 300	3 300	3 300	3 300
Total Financial Assets	114 797 812	114 797 812	90 833 734	90 833 734
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	20 550 146	20 550 146	6 557 588	6 557 588
-Payables from Exchange Transactions	20 550 146	20 550 146	9 013 004	9 013 004
-Current Portion of Long-term Liabilities	-	-	(2 455 416)	(2 455 416)
Total Financial Liabilities	20 550 146	20 550 146	6 557 588	6 557 588
Total Financial Instruments	94 247 666	94 247 666	84 276 146	84 276 146
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3 300	-	3 300
Total Financial Assets	<u>-</u>	<u>392 300</u>	<u>-</u>	<u>392 300</u>
Total Financial Instruments	<u>-</u>	<u>392 300</u>	<u>-</u>	<u>392 300</u>

30 June 2019

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3 300	-	3 300
Total Financial Assets	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>
Total Financial Instruments	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>

42.3 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23. and the Statement of Changes in Net Assets.

Gearing Ratio

	2020 R	2019 R
The gearing ratio at the year-end was as follows:		
Debt	-	(2 455 416)
Cash and Cash Equivalents	(6 337 864)	(7 596 300)
Net Debt	<u>(6 337 864)</u>	<u>(10 051 716)</u>
Equity	<u>120 650 826</u>	<u>100 604 865</u>
Net debt to equity ratio	<u>-5,25%</u>	<u>-9,99%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

42.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

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The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

42.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 42..8 to the Annual Financial Statements.

42.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 42..7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

42.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

42.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

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The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 42.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2020 would have increased / decreased by R832,081 (30 June 2019: R613,162). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

42.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Councillors and Department of Roads and Public Works for which there is uncertainty about the collectivity. Councillors have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2020		30 June 2019	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Dpartment of Saftey & Liaison	-	55 686	-	3 746 717
Department of Roads and Public Works	-	358 821	-	2 162 771
Dpartment of Transport	-	1 984 822	-	1 743 722
Councillors	-	97 464	-	1 530 382
Salga	-	45 335	-	-

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	7 207 352	8 461 000
Receivables from Exchange Transactions	4 133 934	4 193 693
Investments	8 300 000	6 700 000
Bank, Cash and Cash Equivalents	94 855 647	71 567 162
Maximum Credit and Interest Risk Exposure	114 496 933	90 921 855

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables

Roads – Post Retirement Medical Aid	7 207 352	8 461 000
Total Long-term Receivables	7 207 352	8 461 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

42 FINANCIAL INSTRUMENTS (Continued)

42.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 07 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2020								
Non-interest Bearing		0,00%	20 550 146	20 550 146	-	-	-	-
- Payables from Exchange transactions			20 550 146	20 550 146	-	-	-	-
			20 550 146	20 550 146	-	-	-	-
30 June 2019								
Non-interest Bearing		0,00%	8 920 690	8 920 690	-	-	-	-
- Payables from Exchange transactions			8 920 690	8 920 690	-	-	-	-
- Upspent grants			-	-	-	-	-	-
			8 920 690	8 920 690	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2020								
Non-interest Bearing		0,00%	11 645 465	8 478 183	3 167 282	-	-	-
- Long-term Receivables			6 334 564	3 167 282	3 167 282	-	-	-
- Trade Receivables from Exchange Transactions			4 045 813	4 045 813	-	-	-	-
- Cash and Cash Equivalents			3 300	3 300	-	-	-	-
- Current Portion of Long Term Receivables			872 788	872 788	-	-	-	-
Variable Interest Rate Instruments		8,89%	94 852 347	94 852 347	-	-	-	-
- Call Deposits			78 066 381	78 066 381	-	-	-	-
- Bank Account			16 785 966	16 785 966	-	-	-	-
Fixed Interest Rate Instruments		8,65%	8 300 000	-	8 300 000	-	-	-
- Fixed Deposits			8 300 000	-	8 300 000	-	-	-
			114 797 812	103 330 531	11 467 282	-	-	-
30 June 2019								
Non-interest Bearing		0,00%	12 569 872	12 569 872	-	-	-	-
- Long-term Receivables			7 593 000	7 593 000	-	-	-	-
- Trade Receivables from Exchange Transactions			4 105 572	4 105 572	-	-	-	-
- Cash and Cash Equivalents			3 300	3 300	-	-	-	-
- Current Portion of Long Term Receivables			868 000	868 000	-	-	-	-
Variable Interest Rate Instruments		10,97%	71 563 862	71 563 862	-	-	-	-
- Call Deposits			66 501 000	66 501 000	-	-	-	-
- Bank Account			5 062 862	5 062 862	-	-	-	-
Fixed Interest Rate Instruments		8,65%	6 700 000	-	6 700 000	-	-	-
- Fixed Deposits			6 700 000	-	6 700 000	-	-	-
			90 833 734	84 133 734	6 700 000	-	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R

43. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1,892,808 (2019: R1,838,765) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

DEFINED CONTRIBUTION SCHEMES

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R23 318 184, R70 111 and R651 455 (30 June 2017: R21 359,334 in total) million, with funding levels of 100.4%, 100% and 128% (2017: 100.3%, 100% and 127.3%) for the Share Account, Preservation Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183,5 (30 June 2009: R1 123,7) million, with a funding level of 99,5% (30 June 2009: 102,0%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The deficit of R6,4 (2009: surplus R22,5) million is regarded as relatively insignificant in the context of the fund. There is a strong possibility that SARS may reverse penalties and interest in the order of R10,3 million which will result in a fully funded position.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

No further information could be obtained.

None of the above mentioned plans are State Plans.

44. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

44.1 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

44.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by Frances Baard District Municipality, during the financial year under review.

44.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Note 28 and 29, to the Annual Financial Statements.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

44.4 Purchases from Related Parties

No transactions were entered into with businesses in which councillors, management and/or those charged with governance have an interest for the 2019/20 financial year.

45. CONTINGENT LIABILITIES

The municipality was engaged in the following transaction / event during the year under review involving Contingent Liabilities:

45.1 Litigation and claims

	<u>100 000</u>	<u>-</u>
(i) DAMAGES TO INFRASTRUCTURE AMOUNT R81 067.99. FILED PLEA:	100 000	-
MTN claims that they suffered damages as a result of employees of A-Municipality that were working in a project which led to the damage of their fibre cables.		
(ii) OPINION. APPOINTED ADV MOTLOGELWA. AWAITING CLIENT'S RESPONSE TO TERMINATE COUNSELS APOINTM	-	-
The counsel was appointed to interpret the application of the constitutionality of some of the repealed sections in the Municipal System Act.		
LEGAL CLAIMS CANNOT BE ESTIMATED.		

46. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

47. IN-KIND DONATIONS AND ASSISTANCE

Mr. G Botha served on the audit committee for the 2019/20 financial year, he is a government employee and therefore is not entitled to receive any compensation for duties performed as a member of the audit committee.

48. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

49. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

50. GOING CONCERN ASSESSMENT

The municipality's cash flow forecast for the year to 30 June 2021 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2020 was taken into consideration during the review.